

Message Text

LIMITED OFFICIAL USE

PAGE 01 ANKARA 05835 01 OF 02 291705Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 SSO-00 NSCE-00 INRE-00 USIE-00

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 L-03 OPIC-03 IGA-02 CIAE-00

INR-07 NSAE-00 PRS-01 EURE-00 COME-00 /075 W

----- 061115

O R 291613Z JUL 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 4419

INFO AMEMBASSY LONDON

AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

LIMITED OFFICIAL USE SECTION 1 OF 2 ANKARA 5835

PASS USDA/FAS

E.O. 11652: N/A

TAGS: BDIS, TU

SUBJECT: SORENSEN MEETING WITH TURKISH MINISTER OF AGRICULTURE

OZAL ON CONTINENTAL GRAIN CASE

REF: A) ANKARA 4340 B) STATE 160445 C) ANKARA 5066

SUMMARY: THEODORE SORENSEN, REPRESENTING CONTINENTAL GRAIN, MET WITH KORKUT OZAL, TURKISH MINISTER OF AGRICULTURE, ON JULY 28 TO DISCUSS WAYS TO RESOLVE CONTINENTAL-GOT CONTRACT DISPUTE. ON THE BASIS OF THEIR EARLIER MEETING IN NEW YORK, SORENSEN EXPECTED OZAL TO NEGOTIATE OVER TERMS OF CONTINENTAL LETTER OFFERING COMPROMISE SOLUTION. OZAL, INSTEAD, ANNOUNCED THAT GOT WAS UNABLE TO DISCUSS CONTINENTAL OFFER PENDING ITS APPEAL OF ARBITRATION AWARD TO BRITISH COURTS. END SUMMARY

1. THEODORE SORENSEN MET WITH MINISTER OF AGRICULTURE KORKUT

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 05835 01 OF 02 291705Z

OZAL ON WEDNESDAY, JULY 28 FOR 2 1/2 HOURS IN ATTEMPT TO RESOLVE

LONG-STANDING CONTINENTAL-TMO (SOIL PRODUCTS OFFICE) CONTRACT DISPUTE. ALSO ATTENDING MEETING WERE UNDER SECRETARY OF AGRICULTURE BILGE, DIRECTOR GENERAL OF TMO KUSAN, AND SEVERAL OTHER REPRESENTATIVES FROM MINISTRIES OF AGRICULTURE AND COMMERCE, AND FROM TMO. ALSO PRESENT WERE TWO CONTINENTAL GRAIN OFFICIALS (MESSRS. WALDECK AND GOOD) AND AGATT AND ADDITIONAL EMBOFF. AS PER REFTELS B AND C, SORENSEN ASSUMED PRIOR TO MEETING THAT MINISTER DESIRED DISCUSS CONTINENTAL COMPROMISE THAT HAD BEEN PRESENTED TO HIM AFTER THEIR MEETING IN NEW YORK ON JUNE 22. (NOTE: IN SUMMARY, CONTINENTAL HAS OFFERED TO PURCHASE 1 MILLION TONS OF THRKISH WHEAT AT JULY 1976 WORLD PRICE (\$127 PER TON) TO BE SHIPPED IN EQUAL MONTHLY INSTALLMENTS JULY 1976 - APRIL 1977. TMO ACCEPTANCE OF THIS OFFER PLUS PAYMENT OF ADDITIONAL 100,000 TONS OF WHEAT AS DAMAGES (I.E. GOT TRANSFER TO CONTINENTAL AT NO COST) WOULD PERMIT CONTINENTAL TO RELINQUISH ALL CLAIMS AGAINST TMO UNDER PREVIOUS CONTRACT AND RULING OF GRAIN AND FEED TRADE ASSOCIATION, LONDON.

2. AFTER EXCHANGE OF PLEASANTRIES, MINISTER REVIEWED HISTORY OF CASE AND THEN GOT IMMEDIATELY TO THE POINT. UNDER THE NOVEMBER 1975 HIGHER ARBITRATION RULING CONFIRMING THE ORIGINAL GAFTA ARBITRATION DECISION OF JUNE 1975, AWARDING SOME \$44 MILLION TO CONTINENTAL, THE GOT WAS GIVEN THE LEGAL OPTION OF APPEALING TO A BRITISH COURT. THE COURT WILL HEAR THE CASE ON SEPTEMBER 27. PENDING THE RESULT OF THIS COURT HEARING, THE GOT IS UNWILLING TO DISCUSS ANY CONTINENTAL PROPOSALS FOR AN OUT-OF-COURT SETTLEMENT. THE MINISTER ASSURED SORENSEN THAT THE ENTIRE CASE HAD BEEN DISCUSSED WITH THE MINISTERS OF COMMERCE, FINANCE AND STATE AND WITH PRIME MINISTER AND IT WAS THEIR COMBINED DECISION THAT THE "CASE COULD NOT BE FINALIZED" UNTIL AFTER SEPT. 27. OZAL STRONGLY AFFIRMED, HOWEVER, THAT IN "WHATEVER WAY THE CASE IF FINALIZED, WE WILL MEET OUR OBLIGATIONS TO CONTINENTAL".

3. OZAL SAID HE HAD RECEIVED DIFFERING LEGAL OPINIONS IN TURKEY AS TO WHETHER "FORCE MAJEURE" CLAUSE MIGHT APPLY TO TMO-CONTINENTAL CONTRACT AND THAT GOT WANTED THIS TO BE ADDRESSED BY BRITISH COURT. HE INSISTED THAT TMO COULD PROVE IT HAD TRIED TO OPEN THE LETTER OF CREDIT BUT HAD BEEN OVERRULED BY THE MINISTRY OF FINANCE CITING EXPORT REGULATIONS FORBIDDING IMPORT OF PRODUCTS AT PRICES ABOVE WORLD PRICES. FURTHERMORE, SHEER SIZE OF GAFTA LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ANKARA 05835 01 OF 02 291705Z

ARBITRATION AWARD HAD SHOCKED TURKS AND WAS ADDITIONAL REASON TO GO ON FOR LEGAL REDRESS. OZAL ALSO ADMITTED THAT POLITICAL EXPLOSIVENESS OF ISSUE MEANT THAT GOT "MUST BE CAREFUL AND PRECISE IN ORDER TO FORESTALL FUTURE POLITICAL TROUBLE".

4. OZAL ADMITTED THAT TURKISH-CONTINENTAL RELATIONS HAD BEEN GOOD PRIOR TO DISPUTE AND THE TMO WAS STILL INTERESTED IN HAVING CONTINENTAL OFFER TO BUY 1 MILLION TONS UNDER STRICTLY COMMERCIAL

TERMS. FURTHERMORE, TURKEY PLANNED TO BE LONG-TERM WHEAT EXPORTING COUNTRY AND WOULD BE GLAD TO TALK WITH CONTINENTAL ABOUT LONG-TERM EXPORT COMMITMENTS.

5. SORENSEN EXPRESSED HIS KEEN DISAPPOINTMENT THAT OZAL AND TMO WERE UNWILLING TO DISCUSS THE COMPROMISE PROPOSAL AND WERE INSISTENT ON CONTINUING WITH LEGAL APPEALS. HE STATED HIS CONFIDENCE THAT NO MATTER HOW MANY TIMES GOT APPEALED, THE COURTS WOULD REAFFIRM THE ORIGINAL DECISION. HE SAID THE INTERESTS OF BOTH PARTIES WOULD BE BETTER SERVED BY COMPROMISE: ACCEPTANCE OF OFFER WOULD PERMIT CONTINENTAL TO RELINQUISH ALL CLAIMS AGAINST GOT WITHOUT DRAWDOWN OF CURRENT, VERY SCARCE TURKISH FOREIGN EXCHANGE RESERVES AND WOULD ALLOW GOT TO SELL 1 MILLION TONS OF WHEAT FOR GOOD PRICE (E.E., DISTINCTLY HIGHER THAN WHAT WAS OFFERED AT LAST TMO TENDER OPENINGS). FURTHERMORE, SORENSEN ARGUED, SETTLEMENT NOW WOULD RESTORE TURKEY'S GOOD BUSINESS REPUTATION WHICH HAD BEEN DAMAGED AND REMOVE SERIOUS IRRITANT THAT COULD HAVE ADVERSE RAMIFICATIONS ON TURKEY'S RELATIONS WITH US AND WITH INTERNATIONAL ORGANIZATIONS SUCH AS IBRD. AS A FRIEND OF TURKEY, HE URGED TURKEY TO SETTLE, AND HE HOPED MINISTER COULD GRACIOUSLY ACCEPT FACT THAT CONTINENTAL "WOULD HAVE TO BE MERCILESS" AFTER COURT DECISION WENT AGAINST GOT.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ANKARA 05835 02 OF 02 291714Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 SSO-00 NSCE-00 INRE-00 USIE-00

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 L-03 OPIC-03 IGA-02 CIAE-00

INR-07 NSAE-00 PRS-01 EURE-00 COME-00 /075 W

----- 061230

O R 291613Z JUL 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 4420

INFO AMEMBASSY LONDON

AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

LIMITED OFFICIAL USE SECTION 2 OF 2 ANKARA 5835

PASS USDA/FAS

6. AFTER FURTHER DISCUSSION, COMMENT ON DEFAULTED CONTRACT WAS PUT ASIDE, AND SORESEN SAID CONTINENTAL WOULD BE WILLING TO DISCUSS PURCHASE OF 1 MILLION TONS ON TERMS SET OUT IN HIS LETTER OF JUNE 23, 1976, EXCLUDING DAMAGES CLAUSE. HE ASKED WHETHER TMO COULD ACCEPT OFFER IN PRINCIPLE PENDING REFINEMENT OF TERMS. OZAL REPLIED THAT CONTINENTAL OFFER WOULD HAVE TO MEET NORMAL TMO COMMERCIAL TENDER TERMS. OFFER COULD NOT IMPLY TMO ACCEPTANCE OF DEFAULT. FURTHERMORE, VARIOUS CONDITIONS IN THE CONTINENTAL OFFER, INCLUDING REQUIREMENT THAT TMO OPEN PERFORMANCE BOND, WERE DIRECTLY CONTRARY TO TURKISH EXPORT REGULATIONS. (AFTER RETURN TO EMBASSY WALDECK EXPRESSED SOME CONCERN THAT TURKISH EXPORT REGULATIONS COULD BE USED AS BASIS FOR CANCELLING CONTRACT IF WORLD PRICE ROSE.) DURING ENSUING DISCUSSIONS IT BECAME CLEAR THAT CONTINENTAL WOULD REFUSE TO PURCHASE TURKISH WHEAT UNDER EXISTING TMO TENDER CONDITIONS WHILE TMO FELT THAT ANY REVISION IN TENDER CONDITIONS THAT MIGHT SATISFY CONTINENTAL WOULD BE POLITICALLY EXPLOSIVE AS WELL AS LEGALLY IMPERMISSIBLE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 05835 02 OF 02 291714Z

7. OZAL CONCLUDED MEETING BY SAYING HE ACCEPTED IN GOOD FAITH SORESEN'S EFFORTS TO ARRIVE AT AMICABLE SETTLEMENT. WERE THIS STRICTLY A COMMERCIAL CASE AND HE RESPONSIBLE FOR SOLVING IT, HE MIGHT ACCEPT CONTINENTAL PROPOSAL. CASE WENT BEYOND THIS, HOWEVER, AND AS POLITICIAN AND PUBLIC SERVANT HE "COULD NOT MOVE EVEN IF COMPROMISE LOOKS REASONABLE." QUOTING A TURKISH PROVERB ("SOMETIMES IN TURKEY WE BURN THE ENTIRE BLANKET TO KILL A FLEA"), OZAL SAID "SOMETIMES ONE MUST PREFER COMMERCIAL LOSS OVER OTHER KINDS OF LOSS". ON SORESEN'S REFERENCE TO U.S.-TURKISH RELATIONS, OZAL SAID TURKEY WOULD NOT BE CORNERED. HE SAID "THAT TURKISH-U.S. RELATIONS WERE MUCH MORE IMPORTANT THAN GREECE, CYPRUS OR CONTINENTAL GRAIN".

8. COMMENT. IT IS APPARENT THAT TURKISH OFFICIALS ARE EAGER TO AVOID DOMESTIC CHARGES OF CAPITULATING IN "SWEETHEART" DEAL WITH CONTINENTAL. THEY WISH TO EXHAUST LEGAL REMEDIES THAT WOULD ESTABLISH LIABILITY BEYOND ALL DOUBT BEFORE SETTling. TECHNICALLY, GOT POSITION IS UNASSAILABLE SINCE GOVERNMENT IS NOW MERELY APPEALING IN BRITISH COURTS, ACCORDING TO LONG-ESTABLISHED PROCEDURES, THE ARBITRATION DECISION OF GRAIN AND FEED TRADE ASSOCIATION.

9. SOVIET AND CONTINENTAL GRAIN COLLEAGUES LEFT ANKARA DEEPLY DISAPPOINTED WITH RESULT OF MEETING. AFTER NEW YORK CONVERSATION WITH OZAL, THEY FELT THEY HAD SOME REASON TO HOPE ISSUE COULD BE

RESOLVED AT THIS TIME ON BASIS OF THEIR OFFER, OR, AT VERY LEAST, THAT THEIR OFFER WOULD SIGNAL BEGINNING OF ACTIVE AND SERIOUS BARGAINING PROCESS. THEY NOW BELIEVE THAT PROBABLY NOTHING CAN BE DONE UNTIL AFTER COURT DECISION AND THE QUESTION WHETHER CIRCUMSTANCES WILL NOT BE SUFFICIENTLY ALTERED BY THEN AS TO PREVENT THEM FROM PURSUING THE TYPE OF COMPROMISE THEY HAD IN MIND. (WALDECK INDICATED THE LIKELIHOOD BUT NOT THE CERTAINTY OF THIS.)

10. AFTER REVIEWING OUTCOME OF MEETING WITH SORENSEN AND CONTINENTAL REPRESENTATIVES, I EXPRESSED MY INTENTION TO USE ALL SUITABLE OCCASIONS TO IMPRESS UPON PRIME MINISTER AND OTHER TOP GOVERNMENT OFFICIALS MY CONTINUING CONCERN OVER TREATMENT OF THE THREE AMERICAN GRAIN COMPANIES VICTIMIZED BY THE MARCH 1975 CANCELLATIONS. WITHOUT ASSOCIATING MYSELF WITH SPECIFICS OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ANKARA 05835 02 OF 02 291714Z

COMPROMISE OFFERS OF ANY OF THE THE THREE COMPANIES, I WILL EXPRESS MY PERCEPTION OF ADVERSE INTERNATIONAL COMMERCIAL CONSEQUENCES OF TURKEY'S FAILURE TO SETTLE AS WELL AS MY CONCERN OVER THE POSSIBILITY OF A SHOW OF CONGRESSIONAL DISPLEASURE AT TIME WHEN DEFENSE COOPERATION AGREEMENT IS UNDER CONSIDERATION.

MACOMBER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ANKARA05835
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760293-0677
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760711/aaaaajbt.tel
Line Count: 251
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ANKARA 4340, 76 STATE 160445, 76 ANKARA 5066
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by buchant0>; APPROVED <08 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SORENSEN MEETING WITH TURKISH MINISTER OF AGRICULTURE OZAL ON CONTINENTAL GRAIN CASE
TAGS: BDIS, TU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006